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INTRODUCTION

The Office of Internal Audit performed an audit of Mecosta/Osceola County DHS for the period June 1, 2005 through August 31, 2006. The objective of our audit was to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Department of Human Services (DHS) are being followed. Mecosta/Osceola County DHS had 51 full time equated positions (FTE's) at the time of our review. Mecosta/Osceola County DHS provided assistance to an average 8,999 recipients per month in FY 2005, with total assistance payments of \$12,108,239.59 for the fiscal year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and accordingly, included the audit tests we deemed necessary under the circumstances. We obtained descriptions of significant systems operating at Mecosta/Osceola County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Modified Accrual Basis Balance Sheet
Safe and Controlled Documents	State Emergency Relief (SER)
Direct Support Services	Payroll and Timekeeping
Procurement Card	CIMS/ASSIST
Client Processing	Children's' Protective Services Case Review
Day Care Case Review	Foster Care Case Review

EXECUTIVE SUMMARY

Based on our audit, we conclude that Mecosta/Osceola County DHS internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Our audit disclosed no instances of noncompliance with control procedures for the General Ledger, Modified Accrual Basis Balance Sheet, Controlled Documents, Client Intake Processing, or Day Care. We did find instances of noncompliance with DHS policies and procedures and weaknesses in internal controls in other areas, which are detailed below.

The findings in item 7 (page 6) relating to CIMS and ASSIST Enrollment Profile/Security Agreements were corrected prior to completion of our on-site review.

LOCAL OFFICE RESPONSE

The management of Mecosta/Osceola County DHS has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated February 13, 2007 that they are in general agreement with the report, and have implemented corrective action for all items.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Disposition of State Warrants

1. Mecosta/Osceola County DHS did not always enter warrant disposition information on the Record and Disposition of Checks/Warrants/EBT Cards (DHS-61).

Two of fifteen warrants recorded on the DHS-61 from January 2006 through July 5, 2006 did not have a disposition entered on the DHS-61. However the Action Taken on State Treasurer's Warrant (DHS138) had been prepared and was on file.

Accounting Manual Item 462 requires a disposition and date to be entered on the DHS-61 when a warrant is disposed of

WE RECOMMEND Mecosta/Osceola County DHS record the disposition of all warrants on the Record and Disposition of Checks/Warrants/EBT Cards (DHS-61 as required by Accounting Manual Item 462.

Timely Deposits

2. Mecosta/Osceola County DHS did not deposit cash and negotiable instruments in to the depository bank account on a timely basis. For the period January-June 2006 there were twelve deposits for \$8,063.37 to the depository account. The average deposit was \$671.49.

Internal Control Criteria for local offices requires a weekly deposit if receipts are greater than \$150.00, otherwise a monthly deposit is required or when the total for deposit reaches \$150.00, whichever comes first.

WE RECOMMEND Mecosta/Osceola County DHS deposit funds to the depository bank account weekly if the receipts are greater than \$150.00 or whenever the total deposit reaches \$150.00 as required by the local office Internal Control Criteria.

Cash Disbursements

Missing Case Record

3. Mecosta/Osceola County DHS did not maintain adequate control over closed cases that were sent to closed case filing. Local Office staff was unable to locate one of the case records we selected for review of eligibility documents. This case had been closed and sent to closed case filing.

Maintenance of case records is necessary in order to provide data to document a clients' eligibility

WE RECOMMEND Mecosta/Osceola County DHS ensure that all case records are properly filed.

State Emergency Relief (SER)

Supporting Documentation for Payments

4. Mecosta/Osceola County DHS did not follow established procedures for State Emergency Relief (SER) payments submitted to the Fiscal Office for reconciliation with the DHS-849, 93 (A) Issuance Report (ES-440). A review of 10 transactions on the June 2006 ES-440 report disclosed one payment that did not have original documentation attached to the Authorization Invoice (DHS-849) on file in the Fiscal Office. An original invoice was located in the case record.

Local Office Internal Control Criteria requires an original invoice/bill or Fax (with vendor identification) to be attached to the DHS-849/screen print forwarded to the Fiscal Office for reconciliation with the ES-440 report.

Attaching the original invoice/bill/fax for the amount to be paid to the Fiscal Office and a copy of the DHS-849/screenprint helps to ensure that payments are accurate and appropriate.

WE RECOMMEND Mecosta/Osceola County DHS attach the original invoice/bill/fax to the Fiscal Office copy of the Authorization Invoice (DHS-849).

Incorrect Payment Amount

5. Mecosta/Osceola County DHS did not adhere to State Emergency Relief (SER) policy in authorizing one payment submitted to the Fiscal Office. The payment notice submitted to the Fiscal Office had an amount due of \$122.00. Examination of the case record disclosed an original past due notice for \$60.18 and current charges for \$61.82, a combined total of \$122.00.

SER Manual, Item 301, states “When a groups heating or electric service for their current residence is or will be shutoff or payment is necessary to restore service, authorize payment for the shutoff or restoration amount”.

WE RECOMMEND Mecosta/Osceola County DHS authorize SER payments for the amount necessary to prevent a shutoff or restore service as stated in the SER Manual Item 301.

Direct Support Services

Missing/Incomplete Case Record Documentation

6. Mecosta/Osceola County DHS did not follow established policy for the preparation of case record documents in determining eligibility for Direct Support Services (DSS). Examination of five case records disclosed two case

records that did not have the Support Service Determination and/or Education Plan Approval (DHS-4749) in the case record. One other case record did not have Section II, Support Service Request, of the DHS-4749 completed for the goals, strengths, and challenges.

Program Eligibility Manual, Item 232, requires completion of the DHS-4749 in determining eligibility for Direct Support Services.

WE RECOMMEND Mecosta/Osceola County DHS prepare and place the Support Service Determination and/or Education Plan Approval (DHS-4749) in the case record as required by the Program Eligibility Manual Item 232.

CIMS/ASSIST Security

CIMS and ASSIST Enrollment Profile/Security Agreements

7. Mecosta/Osceola County DHS did not have current and accurate Client Information Management System (CIMS) Security Agreements (DHS-3974A) or ASSIST Enrollment Profiles (DHS-3720 and Security Agreements (DHS-3721) on file for staff that access CIMS and ASSIST.

The CIMS status on the Operator Identification Report (PF-011) for five staff was different than that reported on the DHS-3974A. Two staff did not have a DHS3974A on file. The DHS-3974A was not signed by one staff and seventeen staff had a customized status that was not entered on the DHS-3974A.

Seven staff had ASSIST job profiles on the ASSIST Monthly User Listing (VB-9554) that were not entered on an approved DHS-3720. Four staff did not have a DHS-3720 on file and two staff did not have the DHS-3721 on file. One staff had

not signed the DHS-3720 or DHS-3721 and two staff had name changes and a new DHS-3721 had not been prepared and signed.

CIMS Security Policy requires a DHS-3974A or DHS-3720 and DHS-3721 to be prepared for all new users of CIMS and ASSIST, and for all current operators each time an enrollment change is proposed.

A properly completed Security Agreement is necessary to document that the staff understands the responsibilities associated with their access level and that the supervisor has approved the level of access for that staff.

WE RECOMMEND Mecosta/Osceola County DHS ensure that all staff who have access to CIMS and ASSIST have accurate and current CIMS Security Agreements and ASSIST Enrollment Profiles and Security Agreements on file.

Procurement Cards

Sales Tax on Purchases

8. Mecosta/Osceola County DHS did not always follow established policy in making purchases with the procurement card. For the period 6/8/05 through 6/8/06 eight of forty one transactions had sales tax of \$2.21 included with the purchases totaling \$1,170.47.

Department of Management and Budget Procedure 0510.17 states “All purchases for the State are eligible to be exempt from the Michigan Sales and Use Tax”.

WE RECOMMEND Mecosta/Osceola County DHS make certain that sales tax is not charged on procurement card

Payroll and Timekeeping

Separation of Duties

9. Mecosta/Osceola County DHS did not have adequate internal controls in place for the Data Collection and Distribution System (DCDS).

Mecosta/Osceola County DHS implemented use of the online DCDS process to allow time and attendance entry at the employee level for the pay ending June 17, 2006. The User Profiles for the primary timekeeper and backup timekeeper also included Payroll Certification functions on DCDS.

Allowing staff that has the primary and backup timekeeping functions to also have certification functions on DCDS increases the risk of incorrect leave or attendance information.

WE RECOMMEND Mecosta/Osceola County DHS remove the payroll certification capabilities from the primary and back up timekeepers.

Foster Care Program

Missing Case Record Documentation

10. Mecosta/Osceola County DHS did not follow CFF policy for placing case record documentation in the case record. We reviewed four case records to determine if the documents required by CFF Item 722 were included in the case record. All of the cases examined lacked certain documents. These documents included the CPS Investigation Summary (DHS-154), Determination of Appropriate Funding Source (DHS-352), or the Medical Passport (DHS-221).

Child Foster Care policy requires the worker to prepare and place the documents in the case record.

WE RECOMMEND Mecosta/Osceola County DHS prepare and place the CPS Investigation Summary (DHS-154), Determination of Appropriate Funding Source (DHS-352), and the Medical Passport (DHS-221) in the case record as required by Child Foster Care policy CFF 722.